



Covered in Gold: Examining gold consumption by middle class consumers in emerging markets



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ABSTRACT

As wealth and status rise for middle class (MC) consumers in emerging markets (EMs), they increasingly acquire gold for both consumption and investment. The authors delineate a conceptual map for gold consumption drawing insights from the context of MC in EMs. Perceived benefits of gold and disposable income directly determine the attractiveness and availability of gold for individual consumers. Cultural, institutional and economic factors account for country variations in gold consumption. Based on theoretical considerations and empirical evidence, we contend that gold consumption and disposable income have a curvilinear relationship: as EMs mature and MC consumers' shopping baskets become more diverse and sophisticated, their gold consumption decreases and eventually stabilizes.

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“China's gold fever rises, showing no signs of abating.” (Rудараканчана, 2013).

“China's rising middle class will sustain demand for bullion after the nation overtook India as the world's largest gold buyer in 2013.” (Bloomberg News, 2014).

1. Introduction

1.1. Research background

In the last several years, major media outlets have publicized the so-called “Chinese gold fever.” Although gold has been valued since trade first began, little is known about its consumption characteristics: the identities of buyers, their reasons for purchasing gold, and the quantities they desire. The social sciences have produced only limited studies about gold, mostly from macroeconomics or financial market perspectives (e.g., Capie, Mills, & Wood, 2005) rather than from consumers' perspectives. One study that attempted to understand consumer demand for gold (jewelry, bars, coins, and medallions) examined only macro level indicators rather than individual purchasing behavior, and concluded that “no previous economic research has explored the socio-cultural factors accounting for cross-country variations of gold demand” (Starr & Tran, 2008).

The extant literature also lacks cross-cultural comparative international studies regarding gold consumption. Some studies

have focused on specific demand trends and determinants in India (Kannan & Dhal, 2008; Vaidyanathan, 1999) or have surveyed consumers to ascertain gold purchasing behavior in Thailand (Napomech, Tanpipat, & Ueatrakunkamol, 2010). International studies need to be consolidated to examine gold consumption from an etic approach.

1.2. Gold consumption and middle class status in emerging markets

Gold is an especially important financial asset in emerging markets (EMs) where economic institutions are less developed. In the past two decades, EMs such as China, India, Vietnam, and Thailand exhibited increasing gold consumption as opposed to the stable world demand. Gold has long been viewed as an essential hedge against economic risks, especially inflation. Emerging market (EM) consumers have little trust in the few available financial institutions that offer limited investment options and are still at early stages of development. Consequently, gold is an ideal asset for retaining value in times of uncertainly, outside financial institutions (Starr & Tran, 2008). In addition, consumers in EMs have relatively low educational levels, have little financial sophistication, and have limited ability to borrow because local credit markets are immature. Thus consumers desire gold for precautionary wealth that retains its value and can be liquidated quickly as needed (Starr & Tran, 2008).

EM consumers who have recently achieved middle class (MC) status are especially attracted to gold. With rising disposable income, they spend more on discretionary consumption such as recreational products and services, transportation, communication, health care, and education (Farrell, Gersch, & Stephenson,

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2006). Among discretionary expenditures, gold is unique for both consumption and investment. Gold is hard to abrade or tarnish and it can be resized and reshaped without losing its intrinsic value (Moors, 2013). Gold is easily accessible and requires little maintenance in contrast with stock market investments that require financial expertise, time, and energy to manage assets. These attributes are particularly important to MC consumers in EMs who still have relatively low income and education levels in comparison with those from advanced economies. Gold is a conservative investment option, considering its inflation-adjusted long-term zero-return ratio (Erb & Harvey, 2013). MC consumers may prioritize competing expenditures such as education and medical service, but undoubtedly gold is an indispensable component in their consideration set, especially in the context of EMs.

1.3. Contributions to extant literature

First, this manuscript contributes to knowledge regarding the growing MC phenomenon in EMs, which has become an important topic of academic investigation because of the magnitude of changes it has brought across the globe (Cavusgil & Buckley, 2014). The emergence of the new middle class, especially in large markets such as China and India, is reshaping international business perspectives and practices (Sheth, 2011). Our close examination of gold consumption helps to delineate the multifaceted phenomenon in greater depth. Second, this article contributes to international business research by providing insights into international/cross-cultural consumer behavior from a cross-disciplinary perspective. The conceptual framework incorporates both economic and sociocultural considerations for examining cross-country gold consumption variations. The current study is also the first to compare gold consumption from multiple EMs providing statistical evidence and ethnographic insights from the literature.

We offer three propositions in this conceptual study. First, we identify psychological motivators driving gold consumption. Second, we discuss environmental factors including cultural, institutional, and economic influences that affect gold consumption in the context of EMs. Third, we propose an inverted U-shaped relationship between disposable income and gold consumption, suggesting that newly achieved MC status elevates gold consumption. An integrated conceptual framework illustrates the propositions graphically.

Next, we provide theoretical reasoning and empirical evidence for the three propositions. The article concludes with a discussion of the contribution, limitations, and managerial implications of this study, as well as future research topics.

2. Conceptual underpinnings of MC gold consumption in EMs

In this section, we delineate a conceptual framework of gold consumption by MC consumers in EMs, introducing key constructs and relationships. We offer three propositions based on theoretical insights from multiple disciplines including anthropology (e.g., Moors, 2013), sociology (e.g., Jorgensen, 2012), marketing (e.g., Ertimur & Sandikci, 2005), and economics (e.g., Veblen, 1899). Empirical data for gold consumption in multiple countries are analyzed in support of the arguments.

2.1. An integrated conceptual framework

First we provide an overview of the conceptual framework. As Fig. 1 shows, two antecedents directly motivate gold consumption: (1) psychological perceptions regarding the value of gold, and (2) disposable income. Cultural, institutional, and economic environmental factors affect gold consumption indirectly through the two antecedents. Next we provide the rationale for proposing the conceptual model.

2.2. Perceived value of gold—psychological drivers of gold consumption

“What other ‘stuff’ has been proven to be as attractive to people as gold?” (Etnofoor, 2012).

Indeed, anthropologists and sociologists have pondered the forces underlying the allure of gold and the motivations to possess it in various contexts (e.g. Jacobson, 1971; Jorgensen, 2012; Kolenda, 1984; Moors, 2013). Putting together the scattered pieces of evidence from literature, we propose a logical set of underlying psychological motivators for gold consumption.

Proposition 1. Utilitarian, hedonic, and symbolic values motivate MC consumers to buy gold.

According to our framework, gold consumption brings utilitarian, hedonic, and symbolic benefits. Each benefit drives desires for gold but each has distinctive attributes that have different impacts on gold purchasing behavior.

2.2.1. Utilitarian value

Throughout human history, gold has played a significant role. Although modern consumers are less likely to use gold for exchange purposes, coins and bullions are still widely accepted as savings and investments. Gold is considered to be a durable consumer good and a liquid, risk-free asset (Vaidyanathan, 1999).

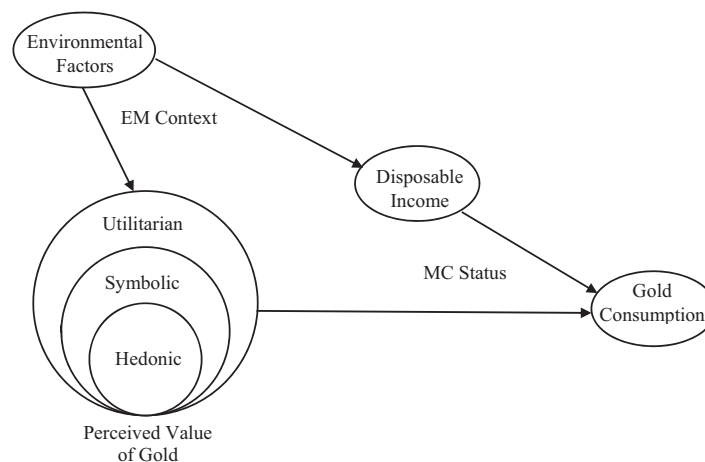


Fig. 1. Conceptualization of gold consumption by MC consumers in emerging markets.

For example, Thai people favor saving wealth in the form of gold rather than putting their money into bank accounts when the financial market is unstable (Napompech et al., 2010).

Gold is malleable; it can be forged into new forms without damaging its intrinsic value. Therefore gold jewelry provides easily transformed and transferred value. In India and the Middle East, where even MC women enjoy less economic independence, brides often receive gold jewelry as an important dowry component that provides critical economic security, especially if they become divorced or widowed (Jacobson, 1971; Moors, 2013).

2.2.2. Hedonic value

Gold artifacts, especially jewelry, are aesthetically pleasing durable works of art and craftsmanship. Gold is brightly colored, reflects light, avoids oxidizing and tarnishing, and can be alloyed with assorted metals and minerals to produce a range of colors. In keeping with the adage, “Beauty is in the eyes of the beholders,” aesthetic standards are subject to cultural influences. Consumers in India, China, and the Middle East view yellow gold, with its higher gold content, as more beautiful and precious (Fernandez and Veer, 2004; Moors, 2013; World Gold Council, 2013). However, many other cultures appreciate various gold alloys. For example, 70% of American brides prefer wedding or engagement rings of white gold, an alloy of gold with at least one white metal (The Wedding Report, Inc., 2011).

2.2.3. Symbolic value

In all cultures we reviewed, gifts of gold symbolize relational ties. In Turkey, it is customary to give gold jewelry or coins as ritual artifacts marking transitions; for example, to newborn babies, to boys undergoing circumcision, to newly engaged women, and to brides (Ertimur & Sandikci, 2005). In the Middle East, the groom’s family builds family connection with the bride and her family by gifting her gold jewelry, the more the better (Moors, 2013). In India, the amount of gold jewelry the bride receives is considered to be the best representation of the relationship between the bride and her family (Fernandez & Veer, 2004). In China, gold jewelry is passed to younger generations as tokens of the family bond.

In addition to interpersonal relational benefits, gold provides social benefits by signaling status to a wide audience. More than a century ago, Veblen (1899) revealed the pattern of “conspicuous consumption”, suggesting that people acquire luxury goods and services to publicly display economic power so as to attain and maintain a desirable social status. Buying gold is a perfect example of such pecuniary emulation. In the Nablus region, as elsewhere in the Middle East, a groom’s family exhibits their strong financial status and good relationship with the in-laws by gifting gold jewelry (Moors, 2013). In Hindu weddings, gifts of gold jewelry publically signal status and conformity to social norms (Fernandez & Veer, 2004).

Gold jewelry also symbolizes spiritual benefits in accordance with certain religions, superstitions, and spiritual beliefs. Unmarried Hindu women are traditionally viewed as liminal and hence dangerous to the patrilineal kinship system that characterizes most Hindu communities (Kolenda, 1984). Gifted and borrowed jewelry worn by the bride bears sacred meanings and notions of auspiciousness in the ritual of purification, which transforms her from a commoditized liminal female into part of the groom’s extended self and family. It is considered bad luck for married Hindu women to remove their jewelry before bathing, because widows ceremonially remove their jewelry at the ritual bath after a husband dies (Jorgensen, 2012). In ancient China, gold was esteemed by the living and buried as a talisman against decay; gold objects were believed to confer eternal status even beyond the grave (Bunker, 1993). Modern Chinese still hold to the superstition that wearing gold

accessories will ward off bad luck in their recurrent birth year in a twelve-year cycle.

Thus motivations for buying gold may have many underlying nuanced psychological meanings beyond the desire for gold by itself. Nevertheless, consumers must have an amount of disposable income that enables discretionary gold consumption.

2.3. Disposable income—MC status boosts gold consumption

Definitions of MC have evolved over time. Most recently, the World Bank identified a daily income range of \$2–\$13 USD (Ravallion, 2010). Researchers from business consultancies such as Ernest and Young suggested a bracket of \$10–\$100 USD (Wilson, 2013). However, dynamic international economic development decreases the relevance of defining MC according to monetary values. Instead, we align with the iceberg description for defining the MC; that is, at the bottom of the iceberg are values, expectations, and attitudes; in the middle are education, occupation, and ownership of assets; at the top is disposable income for discretionary consumption (Cavusgil & Kardes, 2013). Considering our primary interest in consumption patterns, we define MC as the population segment that has not yet achieved total financial freedom but has disposable income for discretionary consumption beyond necessities.

For this study, we gathered data indicating that elevated gold consumption in EMs accompanies newly achieved MC status. Although gold consumption has been previously related to disposable income (e.g., Starr & Tran, 2008), we contend that gold consumption and disposable income will show an inverted U-shaped relationship. That is, when consumers first enjoy improved wealth and enter MC status, their gold consumption accelerates. But as disposable income continues increasing, they will have a wider range of consumption options, will try to differentiate themselves from the newly rich or lower middle class, and will feel satiated regarding gold possession. Consequently, gold purchases will reach a certain level and then decrease.

Proposition 2. MC disposable income and gold consumption have a curvilinear inverted U-shaped relationship.

The uphill and arch of the curve represent newly achieved MC status. After consumers reach certain income levels, their demand for gold arrives at a plateau where new demand stagnates and then decreases. Next, we provide theoretical reasoning for the proposition.

2.3.1. Satiation

A bitter truth is that “good things satiate”: most hedonic consumption experiences, even vacations, exhibit satiation effects after which more is not always better (Coombs & Avrunin, 1977). Life has been called an unending “hedonic treadmill” where consumers require ever better experiences just to maintain current happiness levels (Brickman & Campbell, 1971). As discussed, hedonic pursuit is strongly behind demands for gold. Hence, desires for gold will reach a satiation point at various paces and magnitudes because of personal variances and cultural differences.

2.3.2. Variety seeking

When satiation occurs, consumers may switch among various alternatives to broaden their options beyond gold (Herrnstein & Prelec, 1991; McAlister, 1982). Variety can reduce satiation by introducing substantive changes (Rolls, Van Duijvenvoorde, & Rolls, 1984). Marketing scholars devised the concept of variety seeking. It is essentially similar to financial portfolio diversification when investors adopt multiple investments for lower overall risk (e.g., Goetzmann & Kumar, 2008). MC consumers purchase gold for investment purposes as well, but rational and knowledgeable

investors know to broaden their portfolios to achieve higher returns and reduce risks. Therefore, MC investors from EMs are likely to turn to optional investments such as art, real estate, stock markets, and corporate and government bonds.

Variety seeking alone is insufficient motivation. Instead, consumers must have accessible alternatives before they can seek consumption and investment variety. About 30 years ago, most Chinese families used one soap bar for bathing and laundry purposes; today, MNEs and local companies offer Chinese consumers countless highly differentiated personal care products. Similarly, we believe that as EMs continue maturing, MC consumers can choose from a wide range of commercial offerings and investments.

2.3.3. Need for distinctiveness

Consumers strive to establish and maintain their social identities through various means, including purchasing particular products and services, to fulfill their need for “belonging” to desirable groups and their need for “standing out” from undesirable groups (Hornsey & Jetten, 2004). Subgroups in the MC include the *mass MC* and the *affluent MC* based on the amount of wealth they possess (Cavusgil & Kardes, 2013) and the *established MC* and the *newcomer MC* based on their previous class status. Conspicuous consumption theory (Veblen, 1899) suggests that mass and newcomer MC members need to exhibit their MC status; while the affluent and established MC members may eschew conspicuous consumption to acquire a distinctive social identity. Certain products tend to become less desirable as certain out-groups, especially lower classes, start adopting them, so that higher classes begin avoiding such products (Berger & Heath, 2007). Moreover, Americans who have net worth of more than one million dollars are more likely to avoid conspicuous consumption (Stanley, 1996). Therefore, we contend that affluent and established MC consumers are likely to reduce gold consumption after a certain point to fulfill their need for distinctiveness.

2.3.4. Evidence from empirical data

As with other discretionary consumption items such as designer fashion products and automobiles, MC consumers are the main gold purchasers. We used country average as a proxy for gauging MC gold consumption according to data provided by the World Gold Council and Thomson Reuters GFMS from 1997 to 2013 in 17 major gold-buying countries/regions. India, China, Indonesia, Thailand, Vietnam, Egypt, and Turkey are the EMs

selected to be compared with advanced economies of Hong Kong, Japan, South Korea, United States, Italy, United Kingdom, France, and Germany. Saudi Arabia and United Arab Emirates are included as advanced economies because of their high income levels. We acquired population and income data from the World Bank.

Consumer demand for gold is defined as the sum of jewelry, total bar, and coin purchased in a country. That is, the amount of gold individuals directly acquired in the year recorded (World Gold Council, 2014). Consumer demand for gold includes (1) jewelry: all newly made carat jewelry and gold watches, plain gold or combined with other materials, excluding second-hand jewelry, gold-plated metals, coins, bars, and purchases funded by jewelry exchanges; and (2) investment: coins and bars, excluding second-hand coins, measured as net purchases (World Gold Council, 2014).

2.3.5. Newly achieved MC status boosts gold consumption in EMs

Historical data support our speculation and reveal an overarching theme: enhanced income associates with elevated gold consumption in the EMs group. The seven selected EMs had sizeable income growth; five (71%) showed notably increased gold demand in the last 17 years. From 1997 to 2013, India's gold consumption increased by 74.42% to 974.9 tons. China nearly tripled its consumer gold demand from 373.9 to 1065.8 tons in the same period, surpassing India to become the world's largest gold buyer. Although Thailand's total volume (140.1 tons in 2013) is incomparable with that of China or India, its increase rate is the highest at 474.18%. Certainly these countries vary significantly in terms of population and income level. Thus, it is more reasonable to analyze MC gold consumption on a per capita basis incorporating individual income.

Fig. 2 is a scatter plot using all observations of the EMs group in the last 17 years. The graph clearly delineates a positive relationship between gold demand and disposable income in EMs. The low explained variance ($R^2 = 0.2131$) occurs because only one variable (income) is included to explain the change in gold demand. Certainly other factors such as inflation rates, stock market prices, and real-estate prices contributed to gold consumption variances. These causal relationships or correlations would be worth researching in separate studies.

2.3.6. Diminishing gold consumption and plateau effect in advanced economies

Our proposed inverted U-shaped relationship indicates that gold demands decrease after individuals reach certain income levels.

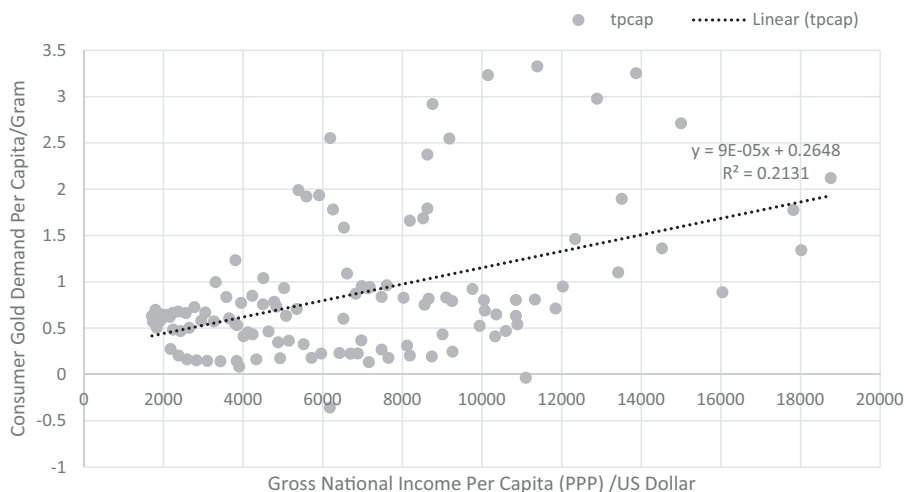


Fig. 2. Per capita consumer demand for gold in relationship to income in EMs.
Note: tpcap stands for gold consumer demand per capita.

Empirical evidence from advanced economies over the past two decades support this proposition. In contrast with EMs, advanced economies have achieved industrialization and have a large segment of established MC with much higher disposable income. However, Fig. 3 presents an intriguing trend: eight of the ten advanced economies (Japan, South Korea, United States, Italy, United Kingdom, France, Saudi Arabia, and United Arab Emirates) showed significant drops in per capita gold demand, regardless of income growth. United Arab Emirates, Saudi Arabia, Turkey, and Hong Kong had much higher individual gold consumption than the rest of the world, and are thus illustrated separately. Germany is an exception with investment-driven increased demand. Hong Kong's demand decreased in earlier years but increased as tourists from mainland China caused demand to grow. Japan's demand went below zero because investors had negative demand for coins and bars.

Consumer demand is recorded as newly generated demand in the year, so we conducted a cumulative gold-holding analysis to represent individual consumers' gold possession levels. For advanced economies, the decreasing yearly new demand results in the flattening convex of cumulative gold consumption (see Fig. 4). The United Kingdom is a representative country showing that consumers stopped purchasing more gold after they acquired 13 grams in the last 17 years; while Vietnamese consumers kept purchasing gold even after obtaining an average of 13 grams of gold in the same time period. Given the limitation of a short observation span, Fig. 4 cannot fully demonstrate gold possession levels for all countries. A graph approximating the reality should show bigger differences among the lines with advanced economies higher on the top because they bought more gold before 1997. Nevertheless, the illustration showcases the diminishing marginal demand for gold and the leveling effect of gold consumption in most advanced economies.

The above analysis and evidence explains our rationale for proposition 2 which suggests a curvilinear relationship between disposable income and gold consumption. The climbing disposable income newly gained by MC consumers is responsible for the current hike of gold consumption in EMs. Next we explain how environmental factors affect gold consumption in the context of EMs.

2.4. Environmental factors determining gold consumption

A complex set of environmental factors affect consumers in the amount of gold they desire and can acquire. Our discussion is not

meant to be exhaustive but exemplary, addressing cultural, institutional, and economic influences affecting gold consumption. Future empirical research should further explore each dimension.

Proposition 3. Cultural, institutional, and economic environmental factors indirectly affect gold consumption by influencing the perceived value of gold and disposable income.

2.4.1. Cultural factors

Culture has been defined as a collective programming of the mind that distinguishes members of one group from those of another (Hofstede, Hofstede, & Minkov, 2010). Individual behaviors stem from relevant cultural value systems for a particular context (Luna & Forquer Gupta, 2001). Culture affects consumer behavior, which itself may reinforce the manifestations of culture (Peter & Olson, 1998). Individuals form and represent culture, and culture influences their thinking processes. Therefore, consumers from cultures that value gold are more likely to perceive more benefits from gold and will thus purchase more gold. The increased consumption then again contributes to the collective appreciation for gold. Perhaps it is coincidental that many EMs, such as India and Egypt, have traditional cultures that inherently valued gold. Actually, almost all anthropological and social studies we reviewed showed that gold and human society have the strongest relationships in EMs, especially in Asia and the Middle East.

Our previous discussion regarding psychological drivers of gold consumption, especially symbolic benefits, revealed multiple examples of the effects of cultural values on gold consumption. In Turkey, where relational exchange is valued, gold is a popular gift (Ertimur & Sandikci, 2005). In India and China where religious and superstitious beliefs are attached to gold objects, consumers highly appreciate and demand gold for its spiritual value (Bunker, 1993; Jorgensen, 2012; Kolenda, 1984).

2.4.2. Institutional factors

MC gold consumption is significantly influenced by the development of local financial markets that determine the possibility and profitability of investment alternatives. Governmental institutions support, regulate, or restrict financial markets. The Central Bank sets reserve ratios that determine interest rates, which help consumers decide whether to put their money in banks or in gold. Authorities set exchange rates that determine purchasing power of the currency and the local gold price. Some

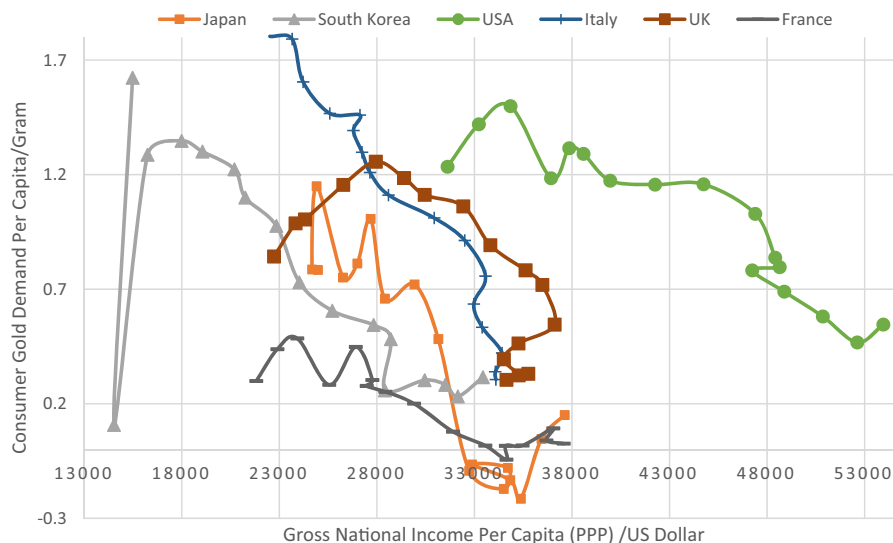


Fig. 3. Per capita consumer demand for gold in relation to income in advanced economies.

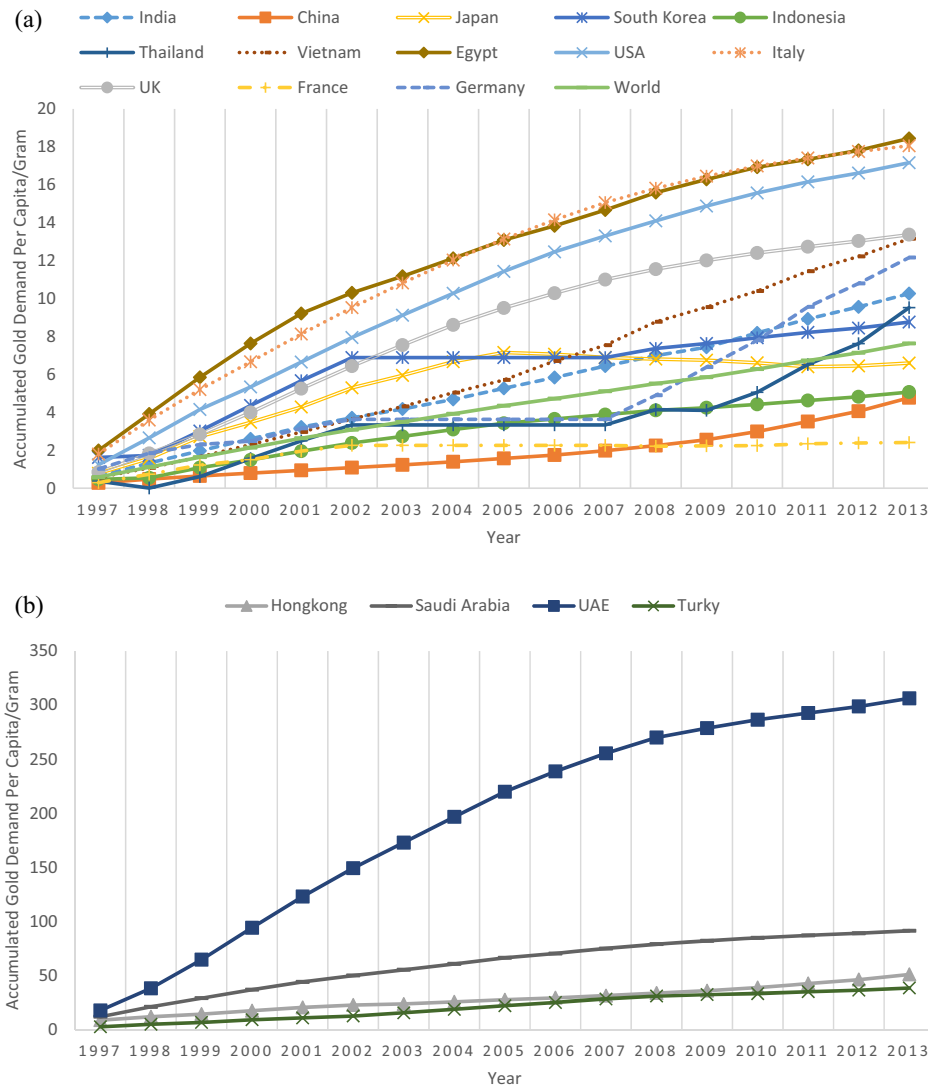


Fig. 4. Cumulative per capita gold consumption in selected markets.

governments also set quotas on gold imports and exports to control supply, demand, and price in domestic markets. Prior to 1992 in India, gold imports were illegal and were financed by numerous illegitimate procedures such as under-invoicing exports, over-invoicing imports, and smuggling; it is since 1992 that gold imports are cleared through customs and included as part of the nation's balance of payments (Vaidyanathan, 1999). Besides affecting gold-transaction bookkeeping, such institutional regulations encourage gold consumption by providing legal distribution channels.

2.4.3. Economic factors

A country's economic prosperity directly determines consumers' disposable income. Gold demand is influenced by real income, interest rates, personal tax rates, and foreign exchange rates (Kannan & Dhal, 2008). GDP per capita is positively related with consumer gold demand (Starr & Tran, 2008). However, as commercial markets mature, consumers have access to more diversified products and services. Therefore, with increased economic prosperity, competing expenditures restrict gold consumption. Other economic factors including unemployment rates, inflation rates, and income distribution equality also indirectly influence gold consumption.

2.4.4. Evidence from empirical data

Country variations in gold consumption can be linked with environmental factors. MC consumers in each EM purchased varying amounts of gold driven by different motivations, making up their country's complex and varying internal structures of gold consumption. Fig. 5 exhibits separate jewelry and investment demands and total gold demand of each EM. Indian consumers show steady and relatively high demand for gold jewelry and low demand for investment gold mainly because their cultural tradition values gold jewelry as an indispensable part of Hindu weddings. Obviously, Indian consumers purchase gold for hedonic and symbolic reasons rather than as a utilitarian investment. India's government imposes strict import quotas on gold to adjust balance of payments. Thus institutional arrangements also suppress India's gold consumption to remain relatively stable regardless the sizable growth of income.

Turkey, with the highest income among EMs examined, showed signs of decreasing gold demand but regained growth in recent years, possibly because political and social turmoil have caused anxiety about the financial system and caused consumers to choose gold as a traditional and safer investment. Vietnamese MC showed less preference for gold jewelry and bought significant amounts of gold coins and bars for saving and investment. Thai

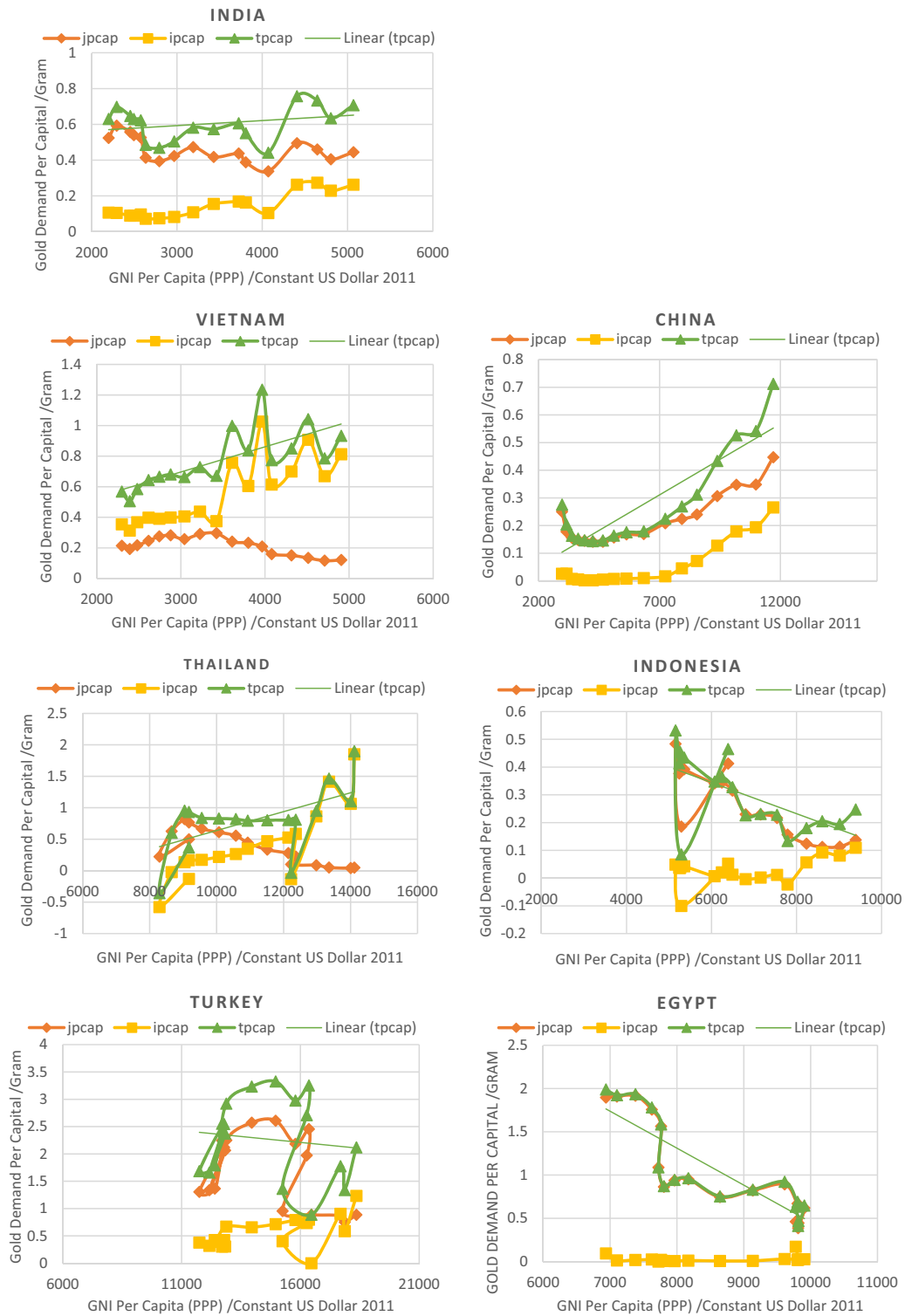


Fig. 5. Gold jewelry and investment per capita demand in relationship to income in EMs. Data source: The World Gold Council and the World Bank.

consumers also preferred gold for investment. In EMs such as Vietnam, where financial markets are less developed and poorly regulated, MC consumers generally have less faith or interest in the stock market. In Egypt, consumers mainly appreciate gold in the form of jewelry and show investment demands around zero.

The varying preferences for jewelry or investment supported our argument that gold purchase is motivated by various perceived

benefits. Jewelry is purchased more for hedonic and symbolic purposes, while coins and bars are purchased for utilitarian investment goals. Countries such as Vietnam and Thailand that place more emphasis on investment show more fluctuating gold demand which is seriously influenced by volatile financial factors including international gold prices, interest rates, and exchange rates.

Egypt and Indonesia are the only cases showing decreased per capita gold demand with increased income, perhaps because their growing income has failed to keep up with their increasing population. Newborns and young children require food, clothing, entertainment, and education, and those expenses can deplete income that might have been available for gold consumption. Notably, China, Thailand, and Vietnam, the three countries exhibiting fastest increase in gold demand, also have the lowest population increase rates, as shown in Fig. 6.

Our analysis reveals that the growing MC in EMs has indeed led to significantly elevated gold consumption levels. Our conceptual framework provides directions for analyzing country differences regarding gold consumption.

3. Conclusion and discussion

As a versatile commodity, gold is important and unique in economic and social life worldwide. Consumers who have recently achieved middle class (MC) status in emerging markets (EMs) often favor gold for their discretionary consumption. Consequently, we explore the economic, social, and cultural determinants of gold consumption in the context of the MC in EMs to explain regional and national variances. By studying gold consumption, we gain knowledge about the multifaceted phenomenon of the rising MC in EMs.

3.1. Contributions and limitations

In undertaking this study, we aimed to make three major contributions to international business research. First, we use literature support from multiple disciplines to outline the psychological drivers of gold consumption and to enrich our understanding about cross-cultural consumer psychology and behavior. Second, we consider cultural, institutional, and economic environmental factors that affect gold consumption indirectly. Our framework allows us to isolate specific country/region attributes to explain gold consumption variances. Third, we propose an inverted U-shaped relationship between disposable income and gold consumption. As EMs experience rapid economic development, their MC correspondingly grows rapidly, as does their gold consumption. With newly achieved MC status, consumers aspire to purchase more gold. But in the long-run, we argue, growing gold consumption will reach a plateau.

Although we have provided insights through this study, additional research questions remain. The constructs in our

conceptual framework are yet to be operationalized. Our propositions should be further developed as hypotheses that can be empirically tested. One limitation of our study is that we used country-level secondary data rather than retail statistics for individuals identified as MC consumers. Future research should therefore use individual-level consumer data from retail perspectives. We also call for more scholarly work on the phenomenon of the rising MC in EMs for better definitions and measurements of the MC stratification.

3.2. Future research directions and managerial implications

For extensions of this study, we must compare the actual trade-off between gold and other consumption and investment options. Limits to gold consumption should be empirically investigated on a country-to-country basis. Gold consumers' age, number of offspring, number of marriages, and other demographics beyond disposable income can be examined to generate more insights. Future research would find it worthwhile to consider comparative benefits associated with jewelry or investment gold consumption. For example, how would a consumer with a hundred dollars to spend choose between gold coins and jewelry? Such questions offer abundant opportunities for future research.

Our study is also of great managerial relevance to business practitioners. With the number of mainstream consumers on the rise in EMs, companies must learn to craft more nuanced product strategies that balance scale and local relevance (Atsmon, Child, Dobbs, & Narasimhan, 2012). Many managerial implications can be drawn from the rich phenomenon of rising middle classes in EMs, including accelerated gold consumption.

The following headlines from the current media reveal the importance of understanding the gold market in EMs: "Apple ran out of gold iPhones because it underestimated how much Asia likes Gold" (Edwards, 2013); "China + Gold = 9 million iPhones sold" (Bloomberg View, 2013). The success of the gold iPhone shows that Asian consumers appreciate gold from an aesthetic point of view, even if the product is simply colored gold. International marketers are advised to tailor their new product designs in accordance with cultural tastes. To gain popularity in Asian markets, marketers might want to follow the gold iPhone with gold laptops, TVs, robot vacuum cleaners, and even toilet seats. In addition to gold color, innovative designers might provide products made of various gold contents for customer segmentation and price differentiation. For example, a gold-plated Kindle and an 18 K white-gold Apple watch might become a marketing sensation in Asia.

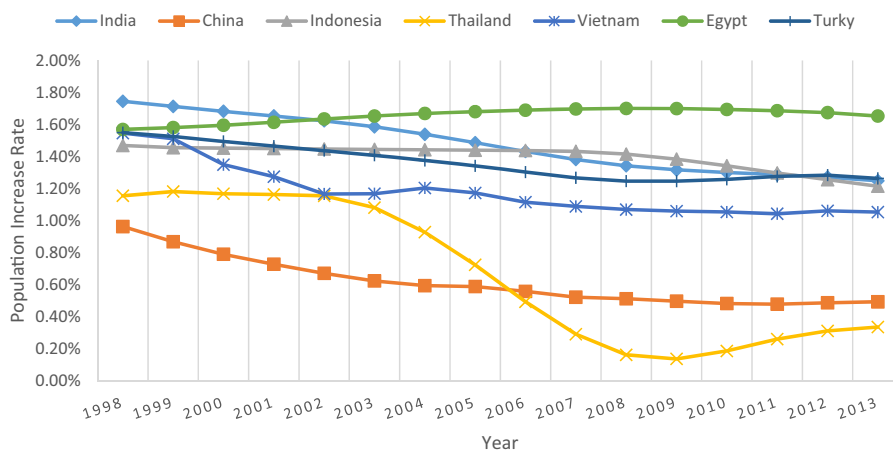


Fig. 6. Emerging markets population growth rates.

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